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SIPDIS

SENSITIVE

DEPARTMENT FOR OES/EGC (ED FENDLEY) AND EUR/WE

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TAGS: [SENV](#) [ECON](#) [ETRD](#) [ENRG](#) [PGOV](#) [SP](#)

SUBJECT: SPANISH CABINET APPROVES CO2 EMISSIONS PLAN TO MEET KYOTO TARGETS

REF: MADRID 1743

1. (U) SUMMARY: The GOS August 27 issued a Royal Decree-Law that launched a National CO2 Emissions Allocation Plan designed to both: (1) set Spain on course for meeting its CO2 emissions commitments under the Kyoto Protocol; and, (2) comply with the EU Directive intended to launch the EU's CO2 trading regime come January 1, 2005. This law suggests that Zapatero's Government takes Spain's Kyoto commitments more seriously than its predecessor and sets the stage for Spain to feel, for the first time, the economic costs of the Kyoto approach to reducing greenhouse gas emissions. END SUMMARY.

2. (U) During its first official session after the summer holiday, the Spanish Cabinet ("Consejo de Ministros") on August 27 approved a 2005-2007 National CO2 Emissions Allocation Plan designed to meet Spain's commitments under the terms of the Kyoto Protocol. The plan authorizes an annual average of 172.31 million emission "rights" (each right equaling one ton of CO2 emissions) divided among covered industry sectors. It specifies the methodology through which these rights are divided among sectors and how compliance is measured. Affected sectors are given until September 30 of this year to apply for individual CO2 emission rights authorized for their sector. On October 1, these rights will be codified into a National Emission Rights Register ("Registro Nacional de Derechos de Emision") which will be controlled by the Environment Ministry and open to public scrutiny. This codification will form the legal basis for later trading in emission rights.

3. (U) According to the plan, the covered sectors encompass 40 percent of traditional Spanish CO2 emissions (including, inter alia, electricity generation, the mining and refining of ferrous metals, and the cement, glass, ceramics, and paper products sectors). The non-covered sectors, representing 60 percent of traditional Spanish CO2 emissions, are expected to emit 225.79 million tons of CO2 per year during this period for a total average annual emission of 398.1 million tons. This would represent a 0.2 percent drop compared to total 2002 CO2 emissions of 401.34 million tons. The stated goal of the 2005-7 plan, which is formally titled Regulating the Commercial Regime of Greenhouse Gas Emission Rights ("Regulado el Regimen del Comercio de Derechos de Emision de Gases de Efecto Invernadero") is to stabilize current emissions at the rate measured from 2000-2.

4. (U) For serious violations of emission authorizations, the plan includes provisions for closing facilities as well as for fines of up to two million Euros. Less serious infractions will be punished by fines of 40 Euros for each CO2 ton over the limit during the period of 2005-7, climbing to 100 Euros per excess ton in the 2008-12 period.

5. (U) Through this plan, Spain hopes that total CO2 emissions in the 2008-12 period do not exceed 1990 emission levels (the Kyoto base line) by more than 24 percent. Spain's Kyoto target is 15 percent over the 1990 CO2 emissions baseline. Under the plan, Madrid hopes to find the missing nine percent through a mixture of carbon sink credits (two percent) and emission credits obtained on the international market (seven percent).

6. (U) Finally, the decree creates an inter-ministerial commission to supervise all GOS efforts to meet its Kyoto commitments. Members will include representatives from the Foreign, Economy/Finance, Environment, and Industry/Tourism/Commerce ministries, as well as a representative from the President's Office of Economic Affairs. The formal head of this Commission will be Arturo Gonzalo Aizpiri, Secretary General of the Environment Ministry's Office of Pollution Prevention and Climate Change.

7. (U) Approval of this plan, which had originally been drawn up by the Aznar Government but was not approved by the cabinet prior to that government's defeat in the March national elections, will allow Spain to submit to Brussels its national CO2 emissions plan required under an EU directive 87/2003. This, in turn, should allow Spain to

participate in the new EU CO2 emissions market that is expected to debut on January 1, 2005. This submission has been overdue in Brussels since March 31.

18. (SBU) COMMENT: With this announcement, Spain takes a step toward, at least on paper, meeting its Kyoto targets. It also addresses the need to formally implement the EU emissions trading directive via national regulation. One should not be surprised that Zapatero's center-left coalition would be more attracted to Kyoto than its center-right predecessor. And it is of course easier to impose such regulations immediately after an election. However, once the economic costs of attempting to meet these targets become more readily apparent, it will be interesting to see exactly how green is Zapatero's valley.
MANZANARES